

Message Text

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42

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 FSE-00 ABF-01 OPR-02 A-01 IGA-02 AGR-10 PA-02

PRS-01 /110 W

----- 070113

R 101030Z MAR 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4428

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 2095

E.O. 11652: N/A

TAGS: EFIN BR

SUBJECT: CRUZEIRO DEVALUATION AND INFLATION

1. THE CRUZEIRO WAS DEVALUAED EFFECTIVE TODAY (MARCH 9) BY 1.92 PERCENT, THE THIRD DEVALUATION TO BE ANNOUNCED THIS YEAR. THE LATEST CHANGE, COMING 21 DAYS AFTER THE LAST ONE, BRINGS THE CUMULATIVE DROP IN THE VALUE OF THE CRUZEIRO SO FAR IN 1976 TO 5.88 PERCENT, AS COMPARED WITH 4.06 PERCENT FOR THE ROUGHLY COMPARABLE PERIOD OF LAST YEAR (THROUGH MARCH 19, 1975). THE NEW RATES ARE CR\$9.55 FOR BUY AND CR\$9.60 FOR SELL.

2. TODAY'S PRESS ALSO REPORTS THAT FINANCE MINISTER SIMONSEN IS EXPECTING THE RATE OF INFLATION IN FEBRUARY (AS MEASURED BY THE RIO DE JANEIRO COST-OF-LIVING INDEX) TO REACH 4.0 PERCENT, VIRTUALLY UNCHANGED FROM JANUARY, THUS BRINGING THE CUMULATIVE RATE OF INFLATION THE FIRST TWO MONTHS TO ABOUT 8.0 PERCENT; INFLATION DURING

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THE FIRST TWO MONTHS OF 1975 WAS 4.9 PERCENT. THIS

ACCELERATION IN THE RATE OF INFLATION IS
ATTRIBUTABLE PRIMARILY TO THE EXPANSIONARY MONETARY
POLICY OF THE LAST HALF OF 1975, PARTICULARLY DURING
THE FOURTH QUARTER. THERE WERE ALSO SPECIAL FACTORS
OPERATING DURING THE FIRST TWO MONTHS, SUCH AS
A GASOLINE PRICE HIKE AND RISING INTERNAL COFFEE
PRICES.
CRIMMINS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, DEVALUATIONS, CRUZEIRO
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL02095
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760090-0851
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760377/aaaacpus.tel
Line Count: 69
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 28 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 JUN 2004 by fisherem>; APPROVED <14 DEC 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CRUZEIRO DEVALUATION AND INFLATION
TAGS: EFIN, ECON, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006